

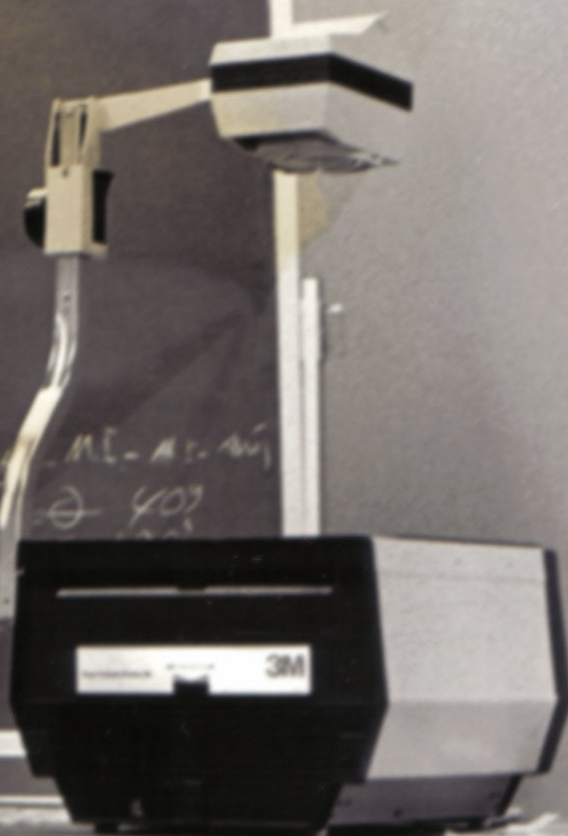
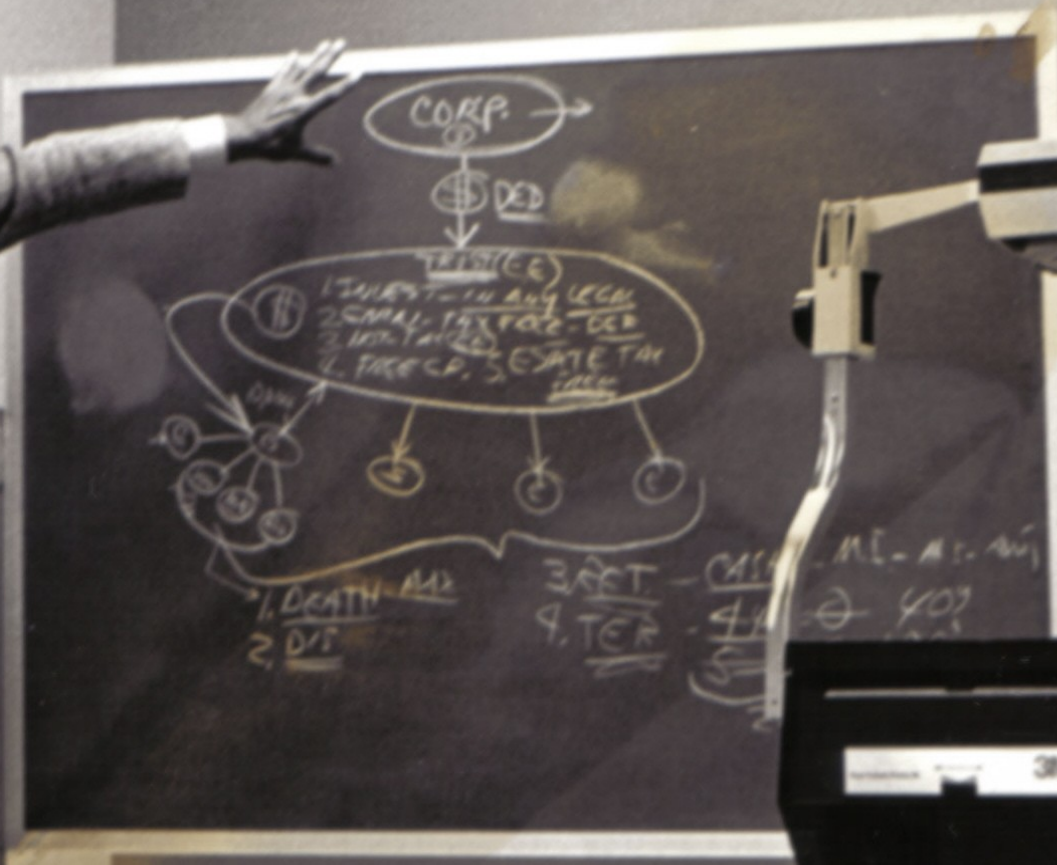
NH HICKS

Legal and Pension Consultants

Selling Retirement Plans

August 29, 2018

Experience Counts



Sales Webinar Outline & Overview

- Ask the Question
- General Market Overview
- Data Mining
- Fiduciary Marketing
- Plan Design Issues
- Compliance Issues & Corrections
- How to Work with US

Retirement Areas of Review

- Plan Administration
 - Fees and offsets
 - Service and calls answered
 - Accuracy and ease of administration/IRS issues
 - Payroll companies and bundled services
 - Restatement Process
- Plan Design
 - Failed tests
 - High cost for employees
 - Need a bigger or smaller deduction
 - Add DB or redesign the 401(k)
- Plan Investments
 - Returns
 - Investment selection
 - Internal fees
 - Enrollment meetings and participation
 - Disclosure benchmarking and documentation

3(16) vs. 3(21) vs. 3(38) Fiduciary

3(16)	3(21)	3(38)
Named and acts as Plan Administrator	States in writing co-fiduciary status	States in writing co-fiduciary status
Oversees management & administration	Assists in drafting IPS	Drafts IPS
Selection, evaluation & monitoring all providers	Helps design initial fund menu	Builds initial fund menu
Evaluation of all plan fees	Provides monitoring	Monitors menu
Delegate administration responsibilities	Recommends changes	Makes changes
Oversee operation of Plan	Recommends mapping strategies	Determines mapping strategies
Provide reporting & disclosure materials	Provides documentation	Provides documentation

Fiduciary Checklist

- Plan Sponsor's fiduciary responsibility
- Mandatory Disclosures to Participants and Beneficiaries
- Annual Plan Reviews
- Special 401(k) Notices
- Notices must be delivered timely to ensure compliance
- Key dates available on our 2018 Compliance Calendar.

401(k) Outline 2018

401(k)

100% up to \$18,500
(age 50 - \$6,000 catch-up)

MATCH

Limit combined with
Profit Sharing

PROFIT SHARING

0-25% eligible
Compensation

ELIGIBILITY ENTRY VESTING

DISCRIMINATION TESTING

- ADP Test
- Top-heavy

SAFE HARBOR

- 100% Vested
- 3% Non-elective or Match
- New Plans must exist for at least 90 days
- Terminated participants receive contribution

TRUST

- Deposits not taxed to employee
- Tax deferred growth
- Protected from Creditors

ALLOCATION

- Proportional
- SS Integrated
- New Comparability

INDIVIDUAL LIMIT

100% up to \$55,000
(\$61,000 if age 50)

COMPENSATION LIMIT

\$275,000

Table of Limits

	2017	2018
<u>COMPENSATION LIMIT</u> plan year beginning	270,000	275,000
<u>DC ANNUAL ADDITION LIMIT</u> plan year ending	54,000	55,000
<u>401(k) DEFERRAL LIMIT</u> calendar year	18,000	18,500
<u>CATCH-UP DEFERRAL LIMIT</u> calendar year	6,000	6,000
<u>HIGHLY COMPENSATED EMPLOYEE</u> Compensation definition only required to be met in prior plan year		
1) Over 5% owner		
2) Any employee (may limit to top 20%):	120,000	120,000
3) Spouse or linear relation		
<u>KEY EMPLOYEE</u> Employee is key if meets definition in current plan year		
1) Over 5% owner		
2) Over 1% owner:	150,000	150,000
3) Officer (count at least 1):	175,000	175,000
4) Spouse or linear relation		
<u>TAXABLE WAGE BASE</u>	127,200	128,400

Allocation Comparisons

Assumptions		25% Salary Proportional	Age Weighted	New Comp.
Age	Salary			
*55	\$50,000	\$12,500	\$31,098	\$28,750
50	50,000	12,500	20,681	6,000
*45	50,000	12,500	13,754	28,750
40	50,000	12,500	9,147	6,000
35	50,000	12,500	6,083	6,000
30	50,000	12,500	4,046	6,000
25	50,000	12,500	2,691	6,000
\$350,000		\$87,500	\$87,500	\$87,500

Required to pass Average Benefits Test

SEP vs. UNI(k)

Comp.	25% SEP	25% PS + 401(k)
\$220,000	\$55,000	\$55,000
Total	\$55,000	\$55,000

\$220,000 Break Even SEP V. 401(k) with \$55,000 Contribution

SEP vs. UNI(k)

Comp.	25% SEP	25% PS + 401(k)
\$100,000	\$25,000	\$25,000 +24,500
Total	\$25,000	\$49,500

SEP vs. UNI(k)

Comp.	25% SEP	25% PS + 401(k)
\$100,000	\$25,000	\$25,000 +24,500
\$30,000 Spouse	\$7,500	\$7,500 +24,500
Total	\$32,500	\$81,500

SEP vs. UNI(k) vs. DB

Comp.	25% SEP	25% PS + 401(k)	DB
\$100,000	\$25,000	\$25,000 +24,500	\$212,000
\$30,000 Spouse	\$7,500	\$7,500 +24,500	\$42,000
Total	\$32,500	\$81,500	\$254,000

Defined Benefit Plan

General Assumptions

Age 48	NRA 62	Life Exp. 85
Comp. \$110,000	Fund \$1,475,000	Pay \$110,000
Requires \$129,642 contribution		

- Interest rates
- Retirement age
- Investment selection
- Funding range
- Funding flexibility
- Overfunding
- Unable to fund
- DB Chart

Defined Benefit Plan

	Age	Comp	DB
Orville	63	\$275,000	\$222,000
Wilbur	25	50,000	4,000
Richthofen	28	50,000	6,000
Amelia	40	50,000	14,000
Doolittle	45	50,000	22,000

DB Combination Plan

**40 – 60 – 5
RULE**

DB Floor Offset

	Age	Comp	DB	DB	7.5% PS	401(k)
Orville	63	275,000	\$222,000	\$220,500	\$20,625	\$24,500
Wilbur	25	50,000	4,000	-0-	3,750	---
Richthofen	28	50,000	6,000	-0-	3,750	---
Amelia	40	50,000	14,000	-0-	3,750	---
Doolittle	45	50,000	22,000	-0-	3,750	---

\$43,625 more for owner, while \$31,000 less for employees =
\$74,625 DIFFERENCE

Requires:

- Minimum employee contribution of 5–6%
- Good for PBGC covered plans

Defined Benefit Contributions

Ages/Comp	30,000	50,000	70,000	90,000	110,000	130,000	150,000	170,000	190,000
32	43,209	69,811	75,049	75,049	75,049	75,049	75,049	75,049	75,049
34	47,403	77,041	82,820	82,820	82,820	82,820	82,820	82,820	82,820
36	52,003	85,030	91,406	91,406	91,406	91,406	91,406	91,406	91,406
38	57,050	93,853	100,893	100,893	100,893	100,893	100,893	100,893	100,893
40	62,586	103,599	111,368	111,368	111,368	111,368	111,368	111,368	111,368
42	69,555	114,368	122,945	122,945	122,945	122,945	122,945	122,945	122,945
44	78,120	126,286	135,757	135,757	135,757	135,757	135,757	135,757	135,757
46	87,240	139,474	149,933	149,933	149,933	149,933	149,933	149,933	149,933
48	96,946	154,075	165,630	165,630	165,630	165,630	165,630	165,630	165,630
50	107,272	170,241	183,010	183,010	183,010	183,010	183,010	183,010	183,010
52	118,256	188,147	202,259	202,259	202,259	202,259	202,259	202,259	202,259
54	129,933	208,057	223,662	223,662	223,662	223,662	223,662	223,662	223,662
56	142,345	230,172	247,435	247,435	247,435	247,435	247,435	247,435	247,435
58	146,753	244,588	254,750	254,750	254,750	254,750	254,750	254,750	254,750
60	140,480	234,133	251,693	251,693	251,693	251,693	251,693	251,693	251,693
62	133,920	223,200	268,298	268,298	268,298	268,298	268,298	268,298	268,298
64	127,046	211,745	285,952	295,575	295,575	295,575	295,575	295,575	295,575

- Contributions based on NRA 62 and 5 Years of Participation.
- Comp is W-2 wages, or self employment income less self employment tax deduction and pension deduction for the self employed and his/her share of any employee cost.
- Contribution amounts may be less when using a DB?DC Combination design.

Plan Comparisons

	25% SEP
Owner 57 \$100,000	\$25,000
Spouse 57 \$30,000	\$7,500
Jack 30 \$50,000	\$12,500
Jill 25 \$50,000	\$12,500
ER Cont	\$32,500
EE Cont	\$25,000
ER %	57%

Plan Comparisons

	25% SEP	3% Match SIMPLE
Owner 57 \$100,000	\$25,000	\$3,000 +15,500
Spouse 57 \$30,000	\$7,500	\$900 +15,500
Jack 30 \$50,000	\$12,500	\$1,500 +12,500
Jill 25 \$50,000	\$12,500	\$1,500 +12,500
ER Cont	\$32,500	\$34,900
EE Cont	\$25,000	\$3,000
ER %	57%	92%

Plan Comparisons

	25% SEP	3% Match SIMPLE	401(k) PS
Owner ⁵⁷ \$100,000	\$25,000	\$18,500	\$36,000 +24,500
Spouse ⁵⁷ \$30,000	\$7,500	\$16,400	\$12,000 +24,500
Jack ³⁰ \$50,000	\$12,500	\$1,500 +12,500	\$2,500 +18,500
Jill ²⁵ \$50,000	\$12,500	\$1,500 +12,500	\$2,500 +18,500
ER Cont	\$32,500	\$34,900	\$97,000
EE Cont	\$25,000	\$3,000	\$5,000
ER %	57%	92%	95%

Plan Comparisons

	25% SEP	3% Match SIMPLE	401(k) PS	DB
Owner ⁵⁷ \$100,000	\$25,000	\$18,500	\$60,500	\$180,200
Spouse ⁵⁷ \$30,000	\$7,500	\$16,400	\$36,500	\$56,180
Jack ³⁰ \$50,000	\$12,500	\$1,500 +12,500	\$2,500 +18,500	\$13,200
Jill ²⁵ \$50,000	\$12,500	\$1,500 +12,500	\$2,500 +18,500	\$8,200
ER Cont	\$32,500	\$34,900	\$97,000	\$236,380
EE Cont	\$25,000	\$3,000	\$5,000	\$21,400
ER %	57%	92%	95%	92%

Plan Comparisons

	25% SEP	3% Match SIMPLE	401(k) PS	DB	DB Combo
Owner ⁵⁷ \$100,000	\$25,000	\$18,500	\$60,500	\$180,200	\$180,200 +24,500
Spouse ⁵⁷ \$30,000	\$7,500	\$16,400	\$36,500	\$56,180	\$56,180 +24,500
Jack ³⁰ \$50,000	\$12,500	\$1,500 +12,500	\$2,500 +18,500	\$13,200	\$5,000 +18,500
Jill ²⁵ \$50,000	\$12,500	\$1,500 +12,500	\$2,500 +18,500	\$8,200	\$5,000 +18,500
ER Cont	\$32,500	\$34,900	\$97,000	\$236,380	\$285,380
EE Cont	\$25,000	\$3,000	\$5,000	\$21,400	\$10,000
ER %	57%	92%	95%	92%	97%

Compliance Issues & Corrections

- **DOL Delinquent Filer Program (DFVC)**
- **IRS Voluntary Correction Program (VCP)**
- **IRS Self Correction Program (SCP)**
- **IRS 5500-EZ Late Filer Relief Program**
- **DOL Voluntary Fiduciary Correction Program (VFCP)**
- **Determination of Controlled / Affiliated Services Groups**
- **Legal Opinions and Plan Audit Services**

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Need More Information

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